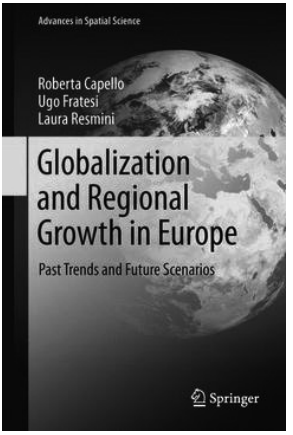

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Globalization and Regional Growth in Europe: Past Trends and Future Scenarios

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The book starts with the sentence "Globalisation is not a state of the world but an evolutionary process . . . " You may or may not like this sentence, but it shows a rather common tendency in applied social sciences: explain one term by reference to one or more additional undefined terms. I rather prefer the approach of Newton: make measurable that which has so far not been measurable.

Regional science has made great progress in the direction of better measurement in the last two decades because of two facts. First, regional data have become more and more available and have become more reliable and harmonized across the EU due to the European integration and enlargement process that started in the 1990s. Second, spatial analyses have used recent advances in spatial econometrics to obtain more and more empirical results. Unfortunately, the positive developments cannot neglect the major challenges of modern regional science, which can be roughly summarized in the concept of 'heterogeneity'. First of all, regions exhibit a natural (geographic type 1) heterogeneity, due to their mutual locations, size and position of regions in the scope of the analysis, like the European integration process. Secondly, one has to expect a national or (geographic) type 2 heterogeneity, because almost all regions are embedded into their national economic developments. And third, there is a type 3 or nugget heterogeneity of regions, which is due to special effects, like being a capital, a port, an island or a border region.

So in what way does it make sense to analyze regions in a cross-section or in panels with statistical methods? While on an aggregate level we could expect the central limit theorem to start working towards a somewhat triangular und symmetric distribution, these assumptions are hard to justify on a regional level. These fundamental problems have not so far been addressed in regional science and no wonder – each study develops its own approach, irrespective of whether the chosen pieces of the puzzle fit together.

I claim that running a simple regression at a regional level needs to be done much more carefully. Here are 3 reasons: Reason 1: Heterogeneity and temporal effects that are a constant companion of all models with disaggregated data. Reason 2: An important

aspect concerns the relationship between the aggregate and the disaggregate level. Very few results exist on theoretical and empirical grounds as to how this relationship should look for regions. This aggregation problem becomes even more relevant when it comes to comparing spatial models, like SAR and SEM models on both the aggregate and disaggregate level. Reason 3: The recent theory of New Economic Geography needs to be explored in much more depth in order to analyze the regional dimension.

Another important aspect addresses the question of regional policy making: has this policy changed because the EU has promoted the concept of a Europe of regions? Or is regional policy in many regions of Europe just an appendix of national economic policy.

Unfortunately, the book does not approach these problems in a rigorous way and the reader will not get answers to these big, open questions of modern regional science. Maybe these (my) expectations are too high, since the area of quantitative regional science is still in its infancy. Recall the euphoria of global modeling some decades ago. What is left today? This triggers another question: do we need to see more generations of empirical regional modeling before we gain more insight into the unsolved regional problems? I expect that this process might take much longer because of the absence of experimentations in economics and the rather sad fact that there are unlimited possibilities in how the regional data generating process can change quickly over time.

So what are the empirical techniques that the authors of the book are using? Not surprisingly, one is club convergence analysis (chapter 4) and another is cluster analysis (chapter 6). Table 4.1 explains the chosen taxonomy, based on classifying the regions using overall averages. These regions are called: global, regional, local, etc. and they are referred to as "players". I have my doubts that regions can act as players of any kind in Europe of today. The main goal of the book is to explain the MASST model, which stands for "Macroeconomic, Sectoral, Social and Territorial" but is explained very late, on Page 243, Chapter 8. The authors claim that it is simultaneously linked to the national (NUTS0) and the regional (NUTS2) level, because it uses an additive regional adjustment model: regional growth rate = national growth rate + shift.

In many instances the chapters of the book look like just so many tables and graphs in search of a theory. The MASST model is meant to be a simulation model for regional policy in Europe. The validity of the success for such claims was not a purpose of the book. Thus I think, it will take many more studies to embed the goals of the book into a – by and large – widely accepted regional economic theory.

Regional policy implications

In the last chapter of the book, the authors give several policy recommendations, but I think rather weak ones since "I am not convinced". Why? Difficult to say, but let me explain my doubts by the following analogy:

Consider a European educational study that has measured school scores across regions in the period 2003–2005. Regions are classified according to educational spending and median scholar scores. You would expect great variety, since there are stellar, medium, and underperforming regions. At the end of the study you will be asked to make recommendations. Long-term data are not available, only this snapshot across three years after

the world economies recovered from the shock of 9/11. How reliable can these recommendations be? How strong is the regional component if you have to confront them with national educational or economic politics? Embedding European regions into a long-term national trend poses a tricky methodological question: by proposing such an exercise, what approach would you expect to lead to a valid inference? Also, what procedures can be used for reasonable trend simulations?

If you were lucky, you would have found some evidence in a vastly heterogeneous heap of data. But would you claim that you have found a clear message by just looking at one cross-sectional slice of the data? If all the data of the last decades are not analyzed, what policy can be recommended with confidence for the coming decade? In my view, scientists have the obligation to be rather humble under such circumstances. Politicians might not like to hear this.

In summary, I think that this book contains a diversity of methods and empirical aspects in search of a theory. The MASST 'model' is a nice proposal for summarizing a cross-sectional snapshot of regional regularities, but in order to obtain more generally-accepted "stylized facts" for regions, more work has to be done in future. Some regional scientists will get some nice ideas as to what to do or not to do, but in total the value added for new knowledge in regional science is small. Concentrating on a few but important key questions would have been sufficient. The economic story for the regions in Europe still needs to be told but requires much more patience, more precise notions, and longer periods with reliable data series based on the ongoing processes that shape the present regional landscape in Europe.